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UNCLAS ROME 000079

SIPDIS

STATE PASS USDA FOR FAS/CMP/DLP/RWENTZEL
CMPGFD/RIEMENSCHNEIDER; CMP/COT/LBLUM
ITP/EAMED/MACE/RICHEY
OFSTS/LHARBERT/APHIS/ATORRES
STATE PAS USTR
BRUSSELS ALSO FOR USEU
GENEVA FOR USTR, ALSO AGRICULTURE
MILAN FOR PRINCIPAL OFFICER 'FLORNCE FO
PRINCIPAL OFFICER
NAPLES FOR PRINCIPAL OFFICER

E.O. 12958: N/A

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SUBJECT: PROPOSED TAX ON BEEF
VANISES AND JAPANESE INVESTIGATION OF
ITALIAN MEAT AND BONE MEAL APPEARS

REF: ROME 00607

¶1. ON FEBRUARY 15 AGRICULTURE MINISTER ALEMANNO PROPOSED A TAX ON BEEF TO FUND NEW MEASURES TO ENSURE MEAT SAFETY. ACCORDING TO ALEMANNO THIS TAX WOULD INCREASE GOVERNMENT REVENUE BY 67 MILLION EUROS AND BE USED TO AUGMENT FUNDS PRESENTLY EARMARKED FOR THE BSE CRISIS. THIS TARGET WAS CALCULATED UNDER THE ASSUMPTIONS OF CURRENT LEVELS OF CONSUMPTION AND A TAX FIXED AT 5 CENTS PER KG. THE MINISTER'S SCHEME WAS PROPOSED AS CONSUMERS REACTED WITH ALARM TO THE DISCOVERY ON FEBRUARY 5 OF ITALY'S FIRST CASE OF THE HUMAN VERSION OF MAD COW DISEASE (REFTEL).

¶2. ITALIAN FARMER ORGANIZATIONS CONFAGRICOLTURA, CONFEDERAZIONE ITALIANA AGRICOLTORI, AND THE ITALIAN MEAT INDUSTRY ASSOCIATION ASSOCARNI SUPPORTED THE SCHEME BECAUSE THEY CONSIDERED THIS TAX A CONTRIBUTION BY RETAILERS AND CONSUMERS TO FOOD SAFETY COSTS. ACCORDING TO CONFAGRICOLTURA A SIMILAR TAX ALREADY OPERATES IN FRANCE. A NEGATIVE REACTION CAME FROM ITALY'S OTHER MAJOR FARMER ORGANIZATION, COLDIRETTI, AND ALL CONSUMER ASSOCIATIONS WHO OPPOSED PAYING EXTRA FOR A SERVICE THEY BELIEVE GOVERNMENT SHOULD ALREADY PROVIDE. ON FEBRUARY 10 MINISTER OF HEALTH SIRCHIA WAS REPORTED TO ENDORSE THE PLAN, BUT BY THE FOLLOWING WEEK HE PANNED THE TAX.

¶3. IN ORDER TO ARRANGE AN AGREEMENT ON THE ISSUE ON FEB. 13 MINISTER ALEMANNO MET WITH ALL FARMER, INDUSTRY AND CONSUMER ASSOCIATIONS. THIS MEETING CANCELED THE TAX FOR 2002, PROMISED THAT GOVERNMENT WOULD PICK UP COSTS FOR COLLECTING AND DISPOSING OF "SPECIFIED RISK MATERIALS" OR BYPRODUCTS OF SLAUGHTER FACILITIES WHICH MIGHT TRANSMIT BSE, AND MADE SEVERAL PROMISES, INCLUDING REVISITING THE IDEA OF A TAX IN 2003. A FEW CONSUMER ASSOCIATIONS NEVERTHELESS VOWED TO BOYCOTT BEEF TO PRESSURE INDUSTRY TO GIVE THEM MORE ASSURANCES ON MEAT SAFETY, BUT WITHOUT ADDITIONAL COST TO CONSUMERS.

¶4. ALEMANNO'S PLAN CONTAINS THE FOLLOWING ITEMS (UNOFFICIAL EMBASSY TRANSLATION):
1- THE GOVERNMENT WILL FUND THE COLLECTION AND DESTRUCTION OF MEAT AND BONE MEAL (MBM) AND SPECIFIED RISK MATERIALS (SRMS) THROUGH THE END OF 2002.
2- THE GOVERNMENT WILL INVESTIGATE NEW PROGRAMS FOR THE USE OF SRMS AS ORGANIC MATERIAL FOR ENERGY PRODUCTION.
3- THERE WILL BE INCREASED CONTROLS ON ILLEGAL SLAUGHTERING AND ILLEGAL MEAT AND BONE MEAL (MBM) USE IN ORDER TO BUILD CONSUMER CONFIDENCE. ESTABLISH TRAINING COURSES FOR OFFICERS WORKING IN SLAUGHTERHOUSES. SET A MARKET REVIEWING AGENCY TO PREVENT SPECULATION ON PRICES.
4- ESTABLISH A BOVINE DATA BASE BY JUNE 2002.
5- STUDY A WAY TO SHARE THE COSTS OF THIS PLAN THROUGHOUT THE MEAT PRODUCTION, SUPPLY AND DISTRIBUTION SYSTEM IN 2003.

¶5. INTERNATIONAL PRESS REPORTS ON FEBRUARY 13 REVEAL THAT JAPAN'S INVESTIGATION INTO ITS OWN OUTBREAK OF BSE HAVE LEAD THE GOJ TO SOURCES OF CATTLE FEED INCLUDING ITALIAN

SALES OF MEAT AND BONE MEAL MADE IN 1998. THE
GOJ HAS ASKED THE GOI FOR AN EXPLANATION OF
WHY IN 1998 ITALIAN MBM WAS NOT STEAM.